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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The memorandum opinion of the District Court for the orthern District of Illinois, Eastern Division, is reported 54 U.S.P.A. 133, only.

The opinion of the Circuit Court of Appeals for the eventh Circuit, reversing the District Court, is reported 140 F. (2) 140 (Advance Sheets).

These opinions appear in the Record at pages 635 and '3 respectively.

Jurisdictional Statement.

In the interests of brevity, the jurisdictional statement hich appears in the accompanying petition will not be peated in the brief.

Statement of the Case.

In the interests of brevity the summary statement of the atter involved which appears in the accompanying peti- on can be considered petitioner's statement of the case.

Specification of Assigned Errors.

The errors which petitioner will urge if the writ of cer- orari is issued are those set forth in the appended Writ Certiorari under the heading "Reasons Relied On For he Allowance Of The Writ."

In addition there are several misstatements of fact in e Court's opinion which will be commented upon to ex- ain any discrepancy between the opinion of the Court Appeals and the facts as stated by petitioner. These isstatements of fact are set forth in a petition appearing the Record at pages 861 to 877.

ARGUMENT.

The First Question: Is a trade-mark the subject of property apart from its use in an existing business?

The facts are clear that at no time since 1918 has respondent been the proprietor of an existing business.

The Supreme Court has held in *Hanover* v. *Metcalf*, 240 U.S. 403, 414; 60 L. Ed. 713, 718, and *United Drug* v. *Rectanus*, 248 U.S. 90, 97; 63 L. Ed. 141, 145, that a trade-mark is "not the subject of property except in connection with an existing business."

Applying this fundamental axiom of trade-mark law to the facts, it would appear that respondent is possessed of no property right in the trade-marks "Conducto" and "Den Pro".

The Seventh Circuit Court of Appeals, in deciding in respondent's favor, has clearly misapplied the law, and rendered a decision in conflict with prior decisions of this court.

Although the Seventh Circuit Court of Appeals cited the above cases (R. 776, 781) it clearly could not have given to the word *existing* the same force and effect which this Court has intended, as is evidenced by the following quotations from previous opinions of this Court:

Delaware and Hudson Canal Company v. *Clark*, 13 Wall. 311; 20 Law Ed. 581, 583:

> "Undoubtedly, words or devices may be adopted as trade-marks which are not original inventions of him who adopts them, and courts of equity will protect him against any fraudulent appropriation or imitation of them by others. Property in a trade-mark, or rather

in the use of a trade-mark or a name, has very little analogy to that which exists in copyrights or in patents for inventions. * * * The office of a trade-mark is to point out distinctively the origin, or ownership of the article to which it is affixed; or, in other words, to give notice who was the producer. This may, in many cases, be done by a name, a mark, or a device well known, but not previously applied to the same article.

"But though it is not necessary that the word adopted as a trade name should be a new creation, never before known or used, there are some limits to the right of selection. This will be manifest when it is considered that in all cases where rights to the exclusive use of a trade mark are invaded, it is invariably held that the essence of the wrong consists in the sale of the goods of one manufacturer or vendor as those of another; and that it is only when this false representation is directly or indirectly made that the party who appeals to a court of equity can have relief. This is the doctrine of all the authorities. * * * Hence the trade mark must either by itself, or by association, point distinctively to the origin or ownership of the article to which it is applied. The reason of this is that unless it does, neither can he who first adopted it be injured by any appropriation or limitation of it by others, nor can the public be deceived. The first appropriator of a name or device pointing to his ownership, or which, by being associated with articles of trade, has acquired an understood reference to the originator, or manufacturer of the articles, is injured whenever another adopts the same name or device for similar articles, because such adoption is in effect representing falsely that the productions of the latter are those of the former. Thus the custom and advantages to which the enterprise and skill of the first

appropriator had given him a just right are abstracted for another's use, and this is done by deceiving the public, by inducing the public to purchase the goods and manufactures of one person supposing them to be those of another. The trade-mark must, therefore, be distinctive in its original signification, pointing to the origin of the article, or it must have become such by association. And there are two rules which are not to be overlooked. No one can claim protection for the exclusive use of a trade mark or trade name which would practically give him a monopoly in the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed.

Hanover Star Milling Co. v. *Metcalf,* 240 U.S. 403, 412-414, 60 Law Ed. 713, 718.

"The redress that is accorded in trade-mark cases is based upon the party's right to be protected in the good will of a trade or business. The primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed. * * * Courts afford redress or relief upon the ground that a party has a valuable interest in the good will of his trade or business, and in the trade-marks adopted to maintain and extend it. The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another. * * *

"This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trademark infringement. In fact, the common law of trademarks is but a part of the broader law of unfair competition. * * *

"Common-law trademarks, and the right to their exclusive use, are, of course, to be classed among property rights (Trade-Mark Cases, 100 U.S. 82, 92, 93,

25 L. ed. 550, 551); but only in the sense that a man's right to the continued enjoyment of his trade reputation and the good will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trademark is an instrumentality. As was said in the same case (p. 94) the right grows out of use, not mere adoption. In English courts it often has been said that there is no property whatever in a trademark, as such. * * * But since in the same cases the courts recognize the right of the party to the exclusive use of marks adopted to indicate goods of his manufacture, upon the ground that 'a man is not to sell his own goods under the pretense that they are the goods of another man; he cannot be permitted to practise such a deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters, or other *indicia*, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person' (6 Beav. 73); it is plain that in denying the right of property in a trademark it was intended only to deny such property right except as appurtenant to an established business or trade in connection with which the mark is used. This is evident from the expressions used in these and other English cases. Thus, in *Ainsworth* v. *Walmsley*, L. R. 1 Eq. 518, 524, Vice Chancellor Sir Wm. Page Wood said: 'This court has taken upon itself to protect a man in the use of a certain trademark as applied to a particular description of article. He has no property in that mark *per se*, any more than in any other fanciful denomination he may assume for his own private use, otherwise than with reference to his trade. If he does not carry on a trade in iron, but carries on a trade in linen, and stamps a lion on his linen, another person may stamp a lion

on iron; but when he has appropriated a mark to a particular species of goods, and caused his goods to circulate with this mark upon them, the court has said that no one shall be at liberty to defraud that man by using that mark, and passing off goods of his manufacture as being the goods of the owner of the mark.'

"In short, the trademark is treated as merely a protection for the good will, and not the subject of property except in connection with an existing business. The same rule prevails generally in this country, and is recognized in the decisions of this court already cited."

United Drug Co. v. *Rectanus Co.*, 248 U.S. 95-98:

"There was nothing to sustain the allegation of unfair competition, aside from the question of trademark infringement. * * *

* * * "The entire argument for the petitioner is summed up in the contention that * * * the later user should be enjoined at the suit of the prior adopter, even though the latter be the last to enter the competitive field and the former have already established a trade there. * * *

* * * "The asserted doctrine is based upon the fundamental error of supposing that a trademark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy. *Delaware & H. Canal Co.* v. *Clark,* 13 Wall. 311, 322, 20 L. ed. 581, 583; *McLean* v. *Fleming,* 96 U.S. 245, 254, 24 L. ed. 828, 832. There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trademarks is but a part of the broader law of unfair competition; the right

to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business. *Hanover Star Mill. Co.* v. *Metcalf,* 240 U.S. 403, 412-414, 60 L. ed. 713, 717-719, 36 Sup. Ct. Rep. 357.

"The owner of a trademark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly. See *United States* v. *American Bell Teleph. Co.,* 167 U.S. 224, 250; 42 L. ed. 144, 157, 17 Sup. Ct. Rep. 809; *E. Bement & Sons* v. *National Harrow Co.,* 186 U.S. 70, 90, 46 L. ed. 1058, 1068, 22 Sup. Ct. Rep. 747; *Paper Bag Patent Case,* 210 U.S. 405, 424, 52 L. ed. 1122, 1130, 28 Sup. Ct. Rep. 748.

"In truth, a trademark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good will in trade by placing a distinguishing mark or symbol—a commercial signature—upon the merchandise or the package in which it is sold."

Prestonettes v. *De Spoturno Coty,* 264 U.S. 359, 368:

"Then what new rights does the trademark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright. The argument drawn from the language of the Trademark Act does not seem to us to need discussion. A trademark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. *United Drug. Co.* v. *Theodore Rectanus Co.,* 248 U.S. 90, 97, 63 L. ed. 141, 145, 39 Sup. Ct. Rep. 48. * * * When the mark is used in a way that does not deceive the public, we see no such

sanctity in the word as to prevent its being used to tell the truth. It is not taboo. *Delaware & H. Canal Co.* v. *Clark,* 13 Wall. 311, 327, 20 L. ed. 581, 584."

The *Hanover* and *the United Drug* cases concerned situations where the businesses, in connection with which the common trade-mark was used, were originally separated geographically. In the instant case, the businesses of the parties were separated in time. The common feature to all three cases is that for a long period of years, the parties were not competing with each other in the same market.

Applying the reasoning of this Court to the facts here in issue, it will be seen that no cause of action will lie because respondent is not now possessed of that business or trade reputation the protection of which is a necessary element to confer equitable jurisdiction. No business or trade reputation has been damaged by petitioner's alleged unlawful acts.

The trade-marks in issue have served to identify, in the mind of the public, petitioner's business. The property right to be protected is petitioner's business; the Seventh Circuit Court of Appeals in divorcing the trade-mark from the business and in enjoining the use of the trade-mark has in effect permitted respondent to appropriate petitioner's business and good will, contrary to the common law as restated by this Court.

This is a federal question because jurisdiction is premised on the trade-mark statutes. "It stands upon the plaintiff's rights as owner of a trademark registered under the act of Congress". *Prestonettes* v. *Coty,* 264 U.S. 359, 369; 68 L. Ed. 731, 742.

The Second Question: Does not a corporation have a right to be secure from an appropriation of a portion of its corporate name?

This Court has recognized the general common law rule that one may not partially appropriate the trade name under which a corporation is conducting business.

> "The general doctrine is that equity not only will enjoin the appropriation and use of a trade-mark or trade name where it is completely identical with the name of the corporation, but will enjoin such appropriation and use where the resemblance is so close as to be likely to produce confusion as to such identity, to the injury of the corporation, to which the name belongs." *American Steel Foundries* v. *Robertson,* 269 U.S. 372, 381; 70 L. Ed. 317, 321.

In this case, the petitioner was incorporated in 1916 under the name Dental Products Company, and has conducted its business continuously and exclusively under that name ever since. At the time it was incorporated, it used the abbreviation "Den. Pro. Co." on some of its articles (R. 572, 3). Starting in 1925, petitioner used "Den Pro" on certain other articles, more in the nature of a trade-mark. Since 1925 "Den Pro" has been applied to an increasing number of goods (R. 625-632).

The word "Den Pro" is understood by the purchasing public as indicating the goods of petitioner and no other; the witnesses have also testified that it is a contraction of "Dental Products Company."

Therefore the act of respondent, in applying for and securing registration of the trade-mark "Den Pro", in 1935, is clearly a partial appropriation of petitioner's corporate name.

The Supreme Court, in *American Steel Foundries* v. *Robertson, supra* (269 U.S. 381, 382), has distinguished between total and partial appropriation of a corporate name as follows:

> "Where the appropriation of the corporate name is complete, the rule of the statute, by its own terms, is absolute and the proposed mark must be denied registration without more. But where less than the whole name has been appropriated, the right of registration will turn upon whether it appears that such partial appropriation is of such character and extent that, under the facts of the particular case, it is calculated to deceive or confuse the public to the injury of the corporation to which the name belongs.
>
> "The fact, for example, that the articles upon which the mark is used are not of the same description as those put out by the corporation, is entitled to weight, since the probability of such confusion and injury in that situation obviously is more remote than where the articles are of like kind."

Although the issue in the *American Steel Foundries* case was of an applicant's right to register a trade-mark, the underlying principle of that case is applicable to the instant case.

See also *Radio Corporation of America* v. *Rayon Corporation of America,* U.S. Court of Customs and Patent Appeals No. 4783, reported at 560 O.G. 193, in which the initials R.C.A. were held to be a partial appropriation of the corporate name Radio Corporation of America, and registration was refused even though the articles were of different descriptive properties.

In the instant case, the articles are of the same descriptive properties; respondent's registration "Den Pro" even covers needles which had been sold by petitioner under

the trade-mark "Den Pro" for five years prior to respondent's registration (see Sales Analyses, R. 628 to 632 and petitioner's 1932 catalogue, Defendant's Exhibit 33; R. 562; xxiii).

Therefore the Circuit Court of Appeals in sanctioning the registration by respondent of a portion of petitioner's corporate name, has decided a federal question in conflict with the principles laid down by this court in *American Steel Foundries* v. *Robertson*, 269 U.S. 372; 70 L. Ed. 317.

This action was brought under the trade-mark statutes, and the evidence submitted was based primarily on the use that the parties had made of the trade-marks in issue. It is not an action on the contract. The contract had been cancelled by respondent four years prior to the filing of suit. Therefore there is very little, if any, extrinsic evidence in the voluminous record from which anyone could determine the intention of the parties, if it were considered necessary to construe the contracts.

It does appear, however, that petitioner paid royalties on the allegedly patented articles mentioned in the contracts, and sold under the trade-mark "Conducto". However petitioner never paid any royalty on the use of the trade-mark "Den Pro", and no royalty was ever demanded by respondent (R. 555, 561). This is for the reason that both the 1918 and the 1930 contracts related to the manufacture and sale of certain articles, and not to the use of any particular trade-mark.

The Seventh Circuit Court of Appeals, in choosing to decide this action on the intention of the parties as shown by the agreements and by the conduct of the parties, has entirely overlooked this controlling distinction between petitioner's use of the trade-marks "Den Pro" and "Conducto". The only acts of petitioner specifically referred to relate to "Conducto". The court has not pointed to any conduct on the part of petitioner which evidences an in-

tention that the ownership of "Den Pro" should be vested in respondent.

Therefore it is submitted that the action of the Seventh Circuit Court of Appeals in this respect constitutes a violation of the due process clause of the Fifth Amendment to the Constitution.

An erroneous choice by a Circuit Court of Appeals as to which of two conflicting legal doctrines shall be determinative of a given fact situation, might not in and of itself necessarily warrant the intervention of this Court, but where that erroneous choice is coupled with a complete failure to find any facts to which the law can be applied, it is respectfully submitted that the situation is one in which that Circuit Court of Appeals has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

The Third Question: Can a patentee by contract make a purely restrictive use of a trade-mark so as to extend his patent monopoly either beyond the term of his patent or to articles which do not infringe his patent?

There are two separate fact situations in the instant case which present the above question for determination. One concerns the patented anesthetic tablet, and the other concerns the unpatented ampule.

Under the 1918 contract, petitioner received a grant of the exclusive right to manufacture and sell a patented article, the anesthetic tablet. This grant was continued in the 1930 contract.

We submit that upon the expiration of that patent, petitioner retained the right to sell the patented tablet under the name it had been known, namely, "Conducto tablets", without the continued payment of royalties. (Compare *Kellogg* v. *National Biscuit*, 305 U.S. Ill.; 83 L. ed. 73 and *Singer* v. *June*, 163 U.S. 169; 41 L. ed. 118)

The Conflict with the Second Circuit Court of Appeals.

The conflict in this instance is with the Second Circuit Court of Appeals which, in the case of *President Suspender v. Macwilliam*, 238 F. 159, answered "No" to Question 3. To both of the specific sub-questions 3-a and 3-b (see page 10, *supra*) it answered "Yes".

The facts in that case are as follows:

In the *Suspender* case, the inventor of a suspender, who had used the trade-mark "President" in connection with his manufacture and sale of the patented suspender, granted to the plaintiff an exclusive license, for the term of the patent, to make and sell the patented suspender. The patentee also transferred the good will of the business, and it sold the machinery, tools and stock and other assets to plaintiff. The contract however made no mention of the trade-mark "President". In that case, the plaintiff was the grantee and occupied the position of petitioner in this case.

After the license was entered into, the grantor, or defendant, secured trade-mark registration on the word "President" for suspenders (233 F. 436).

After the patent expired, defendant began to use the trade-mark "President" on suspenders, and plaintiff sued for trade-mark infringement. The court held for plaintiff in spite of defendant's contention that the contract did not specifically grant the right to use the trade-mark, and should therefore be construed simply as a license which terminated upon expiration of the patent.

The fact that the license could have been cancelled prior thereto, contended the defendant, evidenced a recognition by the grantee of a superior or reversionary trade-mark right in the grantor.

The court held that:

> "The cancellation clause did not impair the licensee's right to the trade-mark, any more than it impaired his right to sell the patented article. The right of the plaintiff to the trade-mark must be regarded as exclusive of the defendant, as was the plaintiff's right to manufacture and sell the patented article." (238 F. 162.)

The main difference between the *President* case and the instant case is that the President agreement transferred the good will of the business; whereas, the 1918 contract here in issue contains no such transfer of whatever good will, if any, that respondent possessed at that time. However in the instant case, respondent covenanted not to manufacture and sell any of the articles which formed the subject matter of the contract so that the result is the same as far as the grantor's disability to use the trade-mark is concerned. The Second Circuit Court of Appeals held:

> "The right to the use of a trade-mark passes to anyone who takes the right to make or sell the particular article to which the trade-mark has been attached. *Filkins* v. *Blackman*, Fed. Cas. No. 4,786." (238 F. 162.)

The reasoning of the court in holding for the plaintiff-grantee was based on the fundamental premise that:

> "A trade-mark right cannot exist independently of some business in which it is used. The sole function of a trade-mark being to indicate the origin or ownership of the goods, it cannot exist apart from the business to which its use is incident. There is no such right known to the law as an exclusive ownership in a trade-mark *apart from the right to use it in a business.* It cannot exist as a right in gross." (238 F. 161.) (Emphasis ours.)

On the same facts, except in connection with the right registration and not with the issue of infringement, Court of Appeals of the District of Columbia reached same conclusion in *Macwilliam* v. *President Suspender* ., 46 App. D.C. 45; 1917 Commissioner's Decisions 179, 1:

"Nothing seems to be better established in the law of trade-marks than that where the owner of a trade-mark grants the right to another, either by sale or license, to use the mark on the goods with which its use is connected and abandons its use himself, he cannot afterward either deprive his assignee of the right to its use or set up an adverse use. By use in connection with the business, the assignee acquires the title abandoned by the assignor, and the title is of that exclusive character which is entitled to protection even against such assignor."

That the above is the established law in the Court of opeals for the District of Columbia, is also evidenced the opinion in *Replogle* v. *Air-Way*, 287 F. 765 (1923).

e decision of the Seventh Circuit Court of Appeals sanctions a device for surmounting recent decisions of this Court on contributory infringement.

Although the Seventh Circuit Court of Appeals on the thority of *Morton Salt* v. *Suppiger*, 314 U.S. 488, 86 L. l. 363, and *Carbice* v. *American*, 283 U.S. 27, 75 L. Ed. 9, held that it would be contrary to public policy to exnd respondent's patent monopoly on syringes to include placeable ampules, still it sanctioned the validity of the 30 contract as a device for extending respondent's onopoly beyond that inherent in his patent grant.

This was on the ground that it related to trade-marks well as to patents. This Court has never had before it

a similar question, wherein an alleged license contract involved both trade-marks and patents.

We submit that the Seventh Circuit Court of Appeals should have applied the law of the *Morton Salt* case to its ultimate conclusion and have refused all aid on a collateral cause of action which has the effect of maintaining or enlarging a monopoly on an unpatented article. In the *Morton Salt* case, the collateral cause of action was to establish the validity of a patent in a suit for direct infringement; here, the purpose is to establish the validity of a registered trade-mark, the collateral action being coupled with a direct action for contributory infringement. In both cases, the successful prosecution of the collateral action would be a powerful aid to the maintenance of an attempted monopoly in an unpatented article, to the end that the public policy underlying the grant of the patent could be thwarted.

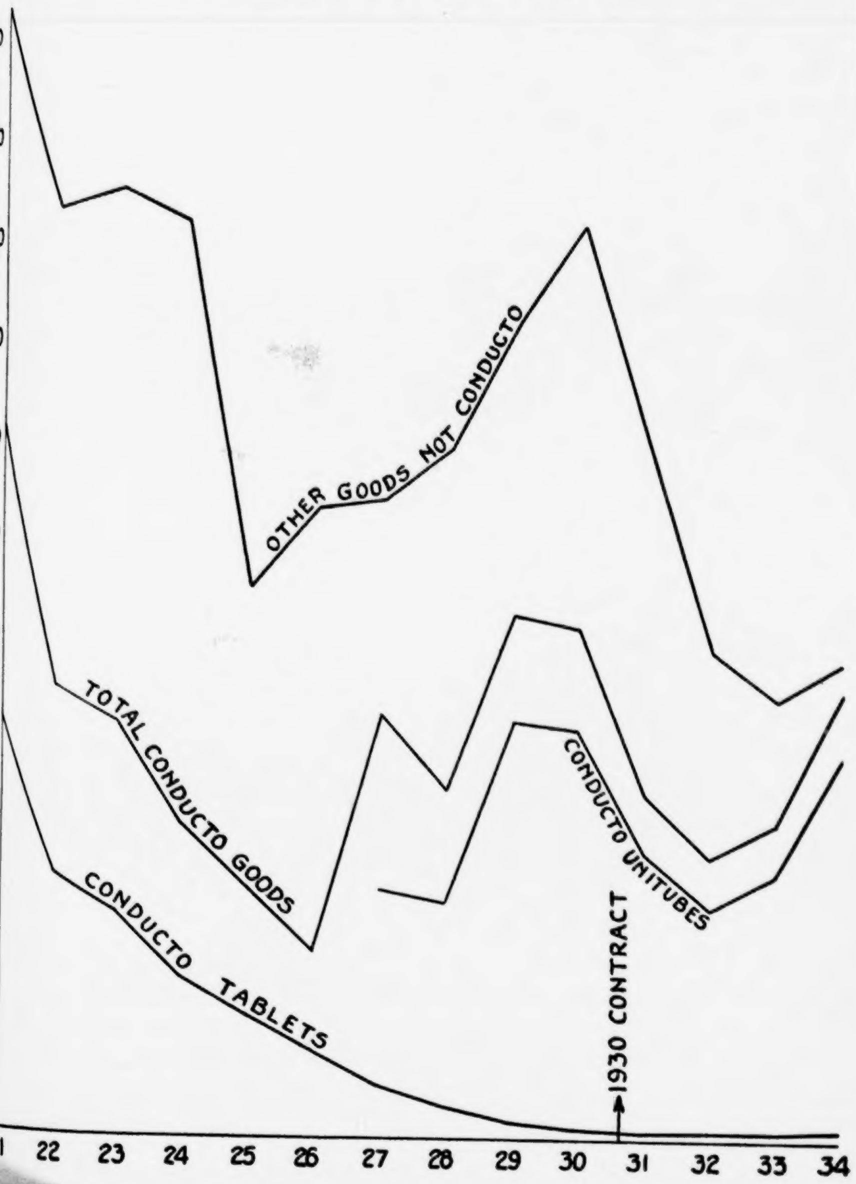
Morton Salt Co. v. *G. S. Suppiger Co.*, 314 U.S. 493, 86 L. Ed. 366:

> "Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish. Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated."

We have previously indicated that the ampules were petitioner's own development, that they were placed on the market by petitioner to fill a demand that the patented tablet was not filling, as is evidenced by the falling sales of the latter. We show in graphic form herein, a comparison between the tablet sales and the ampule sales, taken from the sales analyses, defendant's Exhibits 20 to

30 and 45 to 48, inclusive (R. 621-632). The ampules were an established commercial success at the time of the 1930 contract.

Petitioner's Sales 1921 to 1934.



There would be no color whatsoever to respondent's claim if the 1930 contract had not been executed. This is for the reason that subsequent to 1930, about 97% of the articles sold under the trade-mark "Conducto" were not the articles of the 1918 contract. But because of the 1930 contract, petitioner paid royalty on allegedly patented ampules, and hence the Circuit Court of Appeals concluded that "defendant's business was conducted by sufferance of the plaintiff" (R. 786).

We contend that the 1930 contract is a clear misuse of the syringe patents in issue in the Courts below.

The Circuit Court of Appeals based its decision in large measure on various alleged restrictions in the contracts whereby "defendant's use was definitely limited" (R. 781). Without going into the collateral question of whether this conclusion has any basis in fact (see petition for correction of the opinion, R. pp. 859 to 877), we contend that unless these restrictions are limited to the manufacture and sale of patented articles, they are illegal.

In the *General Electric* case, 272 U. S. 476, 489, 490, 47 S. Ct. 192, 196, 71 L. Ed. 362, the Supreme Court established the principle that a patentee may grant a license "upon any condition the performance of which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure," and may restrict the selling of the patented article by his licensee by limiting the method of sale "provided the conditions of sale are normally and reasonably adapted to secure pecuniary reward for the patentee's monopoly."

Also: *Ethyl Gasoline Corp.* v. *United States*, 309 U.S. 436, 455-457, 84 L. Ed. 851, 861.

> "The patent law confers on the patentee a limited monopoly, the right or power to exclude all others from manufacturing, using, or selling his invention.

Rev. Stat. Sec. 4884, 35 USCA Sec. 40. The extent of that right is limited by the definition of his invention, as its boundaries are marked by the specifications and claims of the patent. * * * He may grant licenses to make, use or vend, restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege, save only that by attaching a condition to his license he may not enlarge his monopoly and thus acquire some other which the statute and the patent together did not give.

"He may not, by virtue of his patent, condition his license so as to tie to the use of the patented device or process the use of other devices, processes or materials which lie outside of the monopoly of the patent licensed; * * * or condition the license so as to control conduct by the licensee not embraced in the patent monopoly."

The construction placed by the Circuit Court of Appeals on this 1930 contract, and the effect given thereto, clearly indicate that the purpose of the contract is to serve as a type of insurance against a possible future holding of non-infringement or invalidity of the patents concerned. Therefore the contract is clearly a device for the extension of the patent monopoly contrary to public policy.

This Court has held that the method by which the monopoly is sought to be extended is immaterial.

United States v. *Univis Lens Co.*, 316 U.S. 241, 251, 86 L. Ed. 1408, 1419:

"In construing and applying the patent law so as to give effect to the public policy which limits the granted monopoly strictly to the terms of the statutory grant, *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488," L. Ed. "363, 62 S. Ct. 402, the particular form or method by which the monopoly is sought to be extended is immaterial."

Mercoid Corp. v. *Mid-Continent Invest. Co.*, 88 L. Ed. Advance Opinions 262, 265 (Nos. 54 and 55; 1944).

> "The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. *United States* v. *Masonite Corp., supra* (316 U.S. p. 277, 86 L. ed. 1474, 62 S. Ct. 1070). The method by which the monopoly is sought to be extended is immaterial. *United States* v. *Univis Lens Co., supra* (316 U.S. pp. 251, 252, 86 L. ed. 1418, 1419, 62 S. Ct. 1088)."

To summarize: The extended monopoly was asserted:

1. From 1930 to 1935, by means of contract;
2. From 1935 to date, by means of this suit alleging
   a. Contributory infringement of a patent
   b. Trade-mark infringement.

The Seventh Circuit Court of Appeals has held "*2a*" to be against public policy, but "*2b*" was held to be well founded in law because premised on "*1.*"

But if "*2a*" is against public policy, "*1*" should also be against public policy.

Therefore, "*2b*" should be decided on issues other than "the intention of the parties as shown by such agreements, as well as their conduct"; or, relief should be denied altogether.

The legal effect of this scheme to extend the patent monopoly beyond the limitations of the patent grant is an important federal question which has not been, but which should be, decided by this Court.

The Fourth Question: In questions involving a so-called trade-mark license, do not the interests of the public so far supersede the interests of the private litigants that the intent of the contracting litigants is not determinative of the issue?

In this case a grant of the exclusive right to make and sell certain specified articles has been construed, erroneously we contend, as a trade-mark license. This construction has been based on the intent of the parties, as expressed in certain other provisions of the contract, other than the granting clause, together with such extrinsic evidence as is considered pertinent.

Even in cases where the instrument itself purports to be a trade-mark license, and the intent is necessarily expressed directly, it has been held that the licensor retains no superior and reversionary right. *American Dirigold* v. *Dirigold*, 125 F. (2d) 446, 454; *Lea* v. *New Home*, 139 Fed. 732. The intent of the parties, if against public policy, is not necessarily determinative of the issues. This Court has ignored intent as expressed by contract provisions that are against public policy. See *S. S. Ansaldo San Giorgio* v. *Rheinstrom*, 294 U.S. 494, 79 L. Ed. 1016.

In trade-mark cases, the authorities indicate that a license which attempts to create a reversionary right in a trade-mark apart from the right to use it in a business is against public policy. Such an instrument will be construed as a matter of law as a transfer of the trade-mark (*President* v. *Macwilliam*, 238 F. 159, 164), or else as an abandonment of the mark.

Nims on Unfair Competition and Trade-Marks, Third Edition, 1929, Section 22, pages 67, 68:

"The rule governing attempts to license trade-marks rests on the nature and function of trade-marks. A trade-mark indicates but one source of goods. If it represents more than one source it is not a trade-mark. Its function is to indicate the source of the merchandise on which it appears in terms of the individuality of that source. The owner of a mark may place it on goods he does not manufacture. It is enough if he makes them his own by becoming sponsor for them. Trade-mark owners sell manufactured goods under marks which they own, yet they own no factories, and employ no workmen. The mark indicates to the public an article for which its owner is responsible. It is a guarantee of commercial source, not of manufacturing source.

"This being the nature of marks of trade, all use of such marks by lease, license or grant are unnatural uses, confusing to the public, and all contracts of lease, license or grant are contrary to public policy unless the transfer is accompanied by a transfer of the business itself. Especially is this rule important as to marks used on medicines, goods or articles that may be harmful in use. Public interest requires that brands shall afford the consumer accurate means of ascertaining the exact source of merchandise. Licensing and leasing of brands is inconsistent with this principle. A lease or license of a mark apart from its business with which it is used, constitutes an abandonment of the mark and rightfully so."

MacMahan v. *Denver Chemical,* 113 Fed. 468-74; 51 C.C.A. 302—1901:

"A trade-mark cannot be assigned, or its use licensed, except as incidental to a transfer of the business or property in connection with which it has

been used. An assignment or license without such a transfer is totally inconsistent with the theory upon which the value of a trade-mark depends and its appropriation by an individual is permitted. The essential value of a trade-mark is that it identifies to the trade the merchandise upon which it appears as of a certain origin, or as the property of a certain person. * * * Disassociated from merchandise to which it properly appertains, it lacks the essential characterics which alone give it value, and becomes a false and deceitful designation. It is not by itself such property as may be transferred."

There have been no cases decided by this court, so far as petitioner has been able to determine, involving trade-mark licenses.

The decisions of this court, however, in other trade-mark cases appear to preclude any contention that the licensor can be possessed of any reversionary right to the trade-mark, or of any trade-mark in gross, when he is not the owner of an existing business. (See cases discussed herein under "The First Question"). In other words, by contract, one may not create a trade-mark right in gross.

The cases cited by the Seventh Circuit Court of Appeals, which relate to trade-mark licenses, all concern situations in which the licensor was possessed of an existing business, either the manufacture or sale of certain articles, in connection with which the trade-mark was used. Therefore it is submitted that these cases are not applicable to the present situation where the alleged licensor was inactive.

Some authorities which refuse to recognize a reversionary right created by contract in a trade-mark, apart from

the right to use that trade-mark in a business are the following:

President v. *Macwilliams,* 238 F. 159 (2nd Circuit);

Goodwin v. *Camp,* 295 F. (2) 785 (6th Circuit);

American Dirigold v. *Dirigold,* 125 F. (2) 446 (6th Circuit);

Amiesite Asphalt Co. v. *Interstate Amiesite,* 4 F. Supp. 504, Appeals Dismissed 72 F. (2) 946 (3rd Circuit);

MacMahan v. *Denver Chemical Co.,* 113 F. 468 (8th Circuit);

Coca Cola Co. v. *Coca Cola Bottling Co.,* 269 F. 796 (Dist. Court, Delaware);

Macwilliam v. *Suspender,* 46 App. D. C. 45 (Dist. of Columbia);

Replogle v. *Airway,* 287 F. 765 (Dist. of Columbia);

Lea v. *New Home Sewing Mach.,* 139 F. 732 (Cir. Ct. New York);

Jergens v. *Woodbury,* 273 F. 952; Affirmed 279 F. 1016 (3rd Circuit).

If, in the Seventh Circuit, the law is to be that the intent of the parties to a so-called trade-mark license is to control, there will not be that uniformity of trade-mark law under the federal statutes as will promote the free development of interstate commerce. For instance:

1. Intent as to ownership of the trade-mark apart from the business: A trade-mark registrant would be able, in the Seventh Circuit, to license several manufacturers to make and sell different but related products bearing the same trade-mark. The trade-mark would lose its identity. It would no longer be "a merchandising short cut which induces a purchaser to select what he wants, or what he has

been led to believe he wants (*Mishawaka* v. *Kresge,* 216 U. S. 203, 205; 86 L. Ed. 1381, 1384).

2. Intent to expand the patent monopoly: A Seventh Circuit manufacturer threatened with patent infringement and induced to enter into a license contract will never be free of the patent monopoly if the patentee is permitted to require that the allegedly patented goods be sold under a registered trade-mark.

3. Intent to impose unlawful restriction: By recognizing an absolute right in a registered trade-mark, the door is open to permit the registrant to impose restrictions on the manufacture and sale of unpatented articles by an alleged licensee in the Seventh Circuit which could be enforced by threat of injunction under the trade-mark statutes even though equity might refuse specific performance of the alleged license contract.

4. Intent to conceal property: By the power to enjoin a former licensee under the trade-mark statutes, and thereby to appropriate his good will, a reversionary right in intangible personal property is created by mere registration, to the prejudice of the purchasing public and of the licensee's creditors.

Therefore it is respectfully submitted that the Seventh Circuit Court of Appeals, in a case based on the trade-mark statutes, has decided an important question of federal law which has not been, but should be, settled by this Court, by deciding that the intent of the litigants as expressed in the grant of an exclusive right to manufacture and sell certain unpatented articles, should supersede the interests of the public in the common ownership of the trade-mark and the business in which it has been exclusively used.

CONCLUSION.

The Court below has rendered a decision which is ill considered and which creates novel and erroneous doctrines of the law. The decision involves not only the rights of a trade-mark registrant under the federal trade-mark statutes, but it also involves an attempt to expand an alleged patent monopoly beyond the limitations inherent in the patent grant. This latter result is effected by means of an exclusive grant of the right to manufacture and sell certain articles which has been erroneously interpreted as a trade-mark license, as well as a patent license.

The result of the opinion of the Court below is that by injunction, petitioner in effect will be deprived of a valuable property right in a portion of his corporate name which portion it has used for many years as a trade-mark.

Wherefore petitioner earnestly prays that the petition for writ of certiorari be granted, the case be reviewed, and the decree of the Circuit Court of Appeals be reversed insofar as it relates to the issues of trade-mark infringement and unfair competition.

Respectfully submitted,

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